



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

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MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (ACQUISITION,
LOGISTICS, AND TECHNOLOGY
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT, AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)

SUBJECT: Transformation through Reduction of Total Ownership Cost (R-TOC)

DoD is transforming all aspects of its operations—from the warfighter in the field to the commercial provider of military support. For business processes dealing with equipping and sustaining our forces, we must transform how systems are developed, acquired, operated, and supported. Reduction of Total Ownership Cost (R-TOC) seeks to avoid some of the ever-increasing costs of operating DoD systems while improving readiness; it is therefore an important part of our transformation efforts.

Current R-TOC Pilot Programs are demonstrating that cost avoidance can be achieved by a variety of best practices. They include replacing high cost and low reliability components; enhancing supply chain efficiency; using smart decision support tools with cost visibility; establishing performance based logistics support arrangements; leveraging commercial-off-the-shelf components; and initiating public-private partnerships.

I have adopted the following R-TOC vision and goal to further institutionalize R-TOC principles and accelerate progress.

Vision: Through R-TOC principles, all defense systems will perform with increasing readiness and capability while avoiding increased operations and support resource costs and improving logistics footprint by institutionalizing the continuous implementation of innovative process and hardware improvements



Goal: Maximize cost avoidance on total defense systems' FY 2010 O&S costs by offsetting 30 percent of the inflation predicted from an FY 2004 baseline

I have also selected the following systems as additional R-TOC Special Interest Programs. Cost avoidance efforts in these Special Interest Programs will be used to demonstrate how affordability considerations can be institutionalized.

Army

- Bradley Fighting Vehicle System A3 Upgrades
- Future Combat System (FCS)
- Stryker

Navy

- USMC H-1 Upgrades
- V-22 Osprey
- F/A - 18E/F

Air Force

- Global Hawk
- F-101-GE-102 engine
- F-118-GE-100 engine

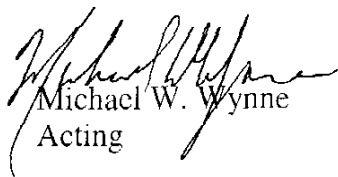
Joint

- F-35 Joint Strike Fighter
- Joint Unmanned Combat Air System

We will convene a Special Interest Programs R-TOC Forum early in 2004. The objectives are to jointly identify key cost issues and develop inter-related R-TOC goals specific to each program. Progress toward the goals will be monitored at future Forums.

Your active support is needed for this important program. Please encourage all program managers to work closely with their contractors to identify and implement R-TOC initiatives wherever possible. Transformation is a journey, not an end state. While we have achieved significant results in improving warfighting capability at lower cost, we must continue to improve.

For further assistance with R-TOC, my point of contact is Dr. Jay Mandelbaum. He can be contacted at Jay.Mandelbaum@osd.mil or (703) 695-0472.


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Acting